

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY POWER)	
COOPERATIVE, INC. FOR AUTHORITY FOR)	
THE ISSUANCE OF SOLID WASTE DISPOSAL)	
REVENUES BONDS TO FINANCE CERTAIN ASH)	CASE NO. 93-368
DISPOSAL FACILITIES AT ITS COOPER)	
POWER STATION IN PULASKI COUNTY,)	
KENTUCKY)	

O R D E R

East Kentucky Power Cooperative, Inc. ("East Kentucky") filed its application on October 11, 1993 for approval to issue Solid Waste Disposal Revenue Bonds to finance the construction of replacement ash disposal facilities.

East Kentucky proposes to issue approximately \$11,800,000 in National Rural Utilities Cooperative Finance Corporation ("CFC") Guaranteed Solid Waste Disposal Revenue Bonds, to be issued through a public offering by Pulaski County, Kentucky. The bonds will not be an obligation of Pulaski County. These ash disposal facilities replace the existing ash pond at Cooper Station which had reached its storage capacity and required replacement or rebuilding in order to assure future compliance with environmental requirements.

East Kentucky seeks authorization to construct replacements to its plant as follows:

Contract Costs Related to the Ash Disposal System Project:	\$ 8,698,000
Engineering Costs Related to the Ash Disposal System Project:	\$ 760,000
Land Fill Development Costs:	\$ 1,200,000

Indirect Costs:	\$ 88,000
Debt Service Reserve Requirement (9%):	\$ 1,062,000
Issue Costs Allowed in the Bond Issue (2%):	\$ <u>236,000</u>
Total Costs:	\$12,044,000
Requested Issue Size:	\$11,800,000

The difference between the Total Costs (\$12,044,000) and the Requested Issue Size (\$11,800,000) will be paid from East Kentucky's internally generated funds.

The Debt Service Reserve Fund ("DSRF") is created and established in the Indenture of Trust. For a CFC guaranteed issue, 9 percent is the customary size of the DSRF. Certain amounts to be determined for each Issue of Bonds will be deposited from the proceeds of the sale of each Issue of Bonds in a DSRF. In connection with creating a DSRF, East Kentucky would covenant under its Financing Agreements to (1) make any payments necessary to maintain the related DSRF at such level, and (2) keep such DSRF at least equal to one-half of such level. CFC would covenant in the related Guaranty Agreement to (a) make up any deficiency, referred to in clause (1) above, 720 days after it is first deemed to have occurred and (b) make up any deficiency, referred to in clause (2) above, within 6 months after it is first deemed to have occurred.

Each DSRF would be used by the related Bond Trustee to make up any deficiencies in the amount available in the related Bond Fund to pay the principle of and interest on the related Issue of Bonds. It also is to provide for the final payments of principle of and interest on the related Issue of Bonds and will be deposited in

the related Distribution Subaccount of such Bond Fund. Any amounts remaining in such DSRF after full payment of the related Issue and the fees, charges, and expenses of such Bond Trustee will be paid to CFC (1) to the extent that it has made payments under the related Guaranty Agreement and has not been reimbursed and (2) in an amount equal to the amount required to be deposited initially in the related DSRF, and otherwise to East Kentucky for the benefit of which such Bonds were issued.

The interest rate will be set at closing and repriced semi-annually. East Kentucky will make semi-annual interest payments with a maturity date of August 15, 2023.

In order to issue the bonds, it is necessary for East Kentucky to purchase a Subordinated Term Certificate ("STC") from CFC in an amount equal to 5 percent of the aggregate principle amount of the bonds guaranteed. The STC is expected to be for \$590,000 and will be purchased with East Kentucky's general funds.

The STC will mature on the date of the final maturity of the bonds, upon defeasance of the bonds or early redemption of the bonds or the release of CFC's guarantee, whichever comes first. This STC will amortize annually beginning upon full purchase of the STC, so that the principle amount of the STC will be no greater than 5 percent of the total principle outstanding on the bonds. So long as the Guaranty is in place and East Kentucky is not in default under bonds, CFC will recalculate the STC annually and refund the excess STC amount to East Kentucky on or about January 1 each year. Such STC will bear interest at a rate equal to 85

percent of the fixed rate charged on CFC long-term loans of similar term at the time of closing. At current rates, the STC would bear interest at a rate of 6.48 percent.

On October 11, 1993, East Kentucky filed a copy of correspondence received from CFC approving its bonds.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the issuance and sale of the above securities by East Kentucky are for lawful objects within its corporate purposes, are necessary and appropriate for and consistent with the proper performance of its service to the public, are reasonably necessary and appropriate for such purposes and should, therefore, be approved.

IT IS THEREFORE ORDERED that:

1. East Kentucky be and it hereby is authorized to issue and sell up to \$11,800,000 of its Solid Waste Disposal Revenue Bonds. The bonds will be issued by Pulaski County, Kentucky for the benefit of East Kentucky.


2. East Kentucky shall, within 30 days after the issuance of the securities referred to herein, file with the Commission a statement setting forth the date or dates of issuance of the securities authorized herein, the price paid, the interest rate, the purchasers, and all fees and expenses, including underwriting discounts or commissions or other compensation, involved in the issuance and distribution.

3. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the application.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 9th day of December, 1993.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director